

**CITY OF LITTLE RIVER, KANSAS**

**FINANCIAL STATEMENTS  
ENTERPRISE FUNDS**

**DECEMBER 31, 2009**

**David A. O'Dell, LLC.  
Certified Public Accountant  
McPherson, Kansas 67460**

CITY OF LITTLE RIVER, KANSAS  
FINANCIAL STATEMENTS  
ENTERPRISE FUNDS

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## INDEPENDENT AUDITOR'S REPORT

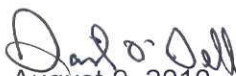
To the Mayor and City Council  
City of Little River  
Little River, Kansas

I have audited the accompanying financial statements of the Gas, Water, Sewer and Solid Waste Funds (Enterprise Funds) of the City of Little River, Kansas, as of December 31, 2009 and 2008 for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The financial statements presented are only for the funds referred to above and are not intended to present fairly the financial position for the City of Little River, Kansas, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Enterprise Funds of the City of Little River, Kansas, as of December 31, 2009 and 2008 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
August 9, 2010  
McPherson Kansas

CITY OF LITTLE RIVER, KANSAS  
 COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS  
 December 31, 2009  
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

	Gas	Water	Sewer	Solid Waste	Totals	
					December 31, 2009	December 31, 2008
<b>ASSETS</b>						
Cash and Investments	\$ 105,287	\$ 182,432	\$ 50,444	\$ 14,704	\$ 352,867	\$ 322,855
Accounts Receivable (Less allowance for Doubtful Accounts of \$12,000)	35,998	8,164	5,752	2,852	52,766	43,648
Total Current Assets	141,285	190,596	56,196	17,556	405,633	366,503
<b>Fixed Assets:</b>						
Land	-	2,500	29,333	-	31,833	31,833
Property, Plant and Equipment	245,119	224,835	850,271	2,556	1,322,781	1,322,481
Accumulated Depreciation	(225,547)	(206,154)	(462,023)	(2,556)	(896,280)	(878,418)
Net Property, Plant and Equipment	19,572	21,181	417,581	-	458,334	475,896
<b>Other Assets:</b>						
Prepaid Maintenance Contract	-	-	-	-	-	-
Total Assets	\$ 160,857	\$ 211,777	\$ 473,777	\$ 17,556	\$ 863,967	\$ 842,399

The accompanying notes are an integral part of these financial statements.

CITY OF LITTLE RIVER, KANSAS  
COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS  
December 31, 2009  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

	Gas	Water	Sewer	Solid Waste	Totals	
					December 31, 2009	December 31, 2008
<b>LIABILITIES AND FUND EQUITY</b>						
Current Liabilities:						
Accounts Payable	\$ 41,187	\$ 1,031	\$ 331	\$ 2,176	\$ 44,725	\$ 49,311
Accrued Interest	-	-	1,483	-	1,483	1,569
Current Portion - KDHE Loan	-	-	7,866	-	7,866	7,654
Total Current Liabilities	41,187	1,031	9,680	2,176	54,074	58,534
Long-term Liabilities:						
KDHE Loan (Net of Current Portion)	-	-	153,866	-	153,866	161,731
Total Liabilities	41,187	1,031	163,546	2,176	207,940	220,265
Fund Equity:						
Contributed Capital	142,560	104,090	736,057	-	982,707	982,707
Retained Earnings (Deficit):						
Reserved for Encumbrances	2,075	2,075	2,075	-	6,225	4,810
Unreserved	(24,965)	104,581	(427,901)	15,380	(332,905)	(365,383)
Total Retained Earnings(Deficit)	(22,890)	106,656	(425,826)	15,380	(326,680)	(360,573)
Total Fund Equity	119,670	210,746	310,231	15,380	656,027	622,134
Total Liabilities and Fund Equity	\$ 160,857	\$ 211,777	\$ 473,777	\$ 17,556	\$ 863,967	\$ 842,399

The accompanying notes are an integral part of these financial statements.



CITY OF LITTLE RIVER, KANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

	Totals				
	Gas	Water	Sewer	Solid Waste	December 31, 2008
<b>OPERATING REVENUES:</b>					
Charges for Services	\$ 276,248	\$ 98,914	\$ 61,840	\$ 27,920	\$ 458,051
Miscellaneous	6,385	2,980	-	16	14,397
Total Operating Revenues	282,633	101,894	61,840	27,936	472,448
<b>OPERATING EXPENSES:</b>					
Personal Services	26,815	49,813	25,466	-	106,142
Contractual Services	49,800	24,424	20,667	25,562	106,950
Commodities	174,283	15,547	5,252	700	225,204
Depreciation	2,018	2,457	13,087	-	18,354
Total Operating Expenses	252,916	92,241	64,472	26,262	456,650
OPERATING INCOME (LOSS)	29,717	9,653	(2,632)	1,674	15,798
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest and Service Fees	-	-	(4,519)	-	(6,798)
Transfers Out	-	-	-	-	(10,000)
Net Nonoperating Revenues (Expenses)	-	-	(4,519)	-	(16,798)
NET INCOME (LOSS)	29,717	9,653	(7,151)	1,674	(1,000)
RETAINED EARNINGS (DEFICIT), January 1	(52,607)	97,003	(418,675)	13,706	(359,573)
RETAINED EARNINGS (DEFICIT), December 31	\$ (22,890)	\$ 106,656	\$ (425,826)	\$ 15,380	\$ (360,573)

The accompanying notes are an integral part of these financial statements.

CITY OF LITTLE RIVER, KANSAS  
COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

	Gas	Water	Sewer	Solid Waste	Totals	
					December 31, 2009	December 31, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Operating Income (Loss)	\$ 29,717	\$ 9,653	\$ (7,151)	\$ 1,674	\$ 33,893	\$ 9,000
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	2,018	2,457	13,087	-	17,562	18,354
Changes in Assets and Liabilities:						
Accounts Receivable	(4,123)	(3,185)	(1,004)	(806)	(9,118)	(4,374)
Accrued Interest	-	-	(86)	-	(86)	-
Accounts Payable	382	(4,027)	(1,072)	131	(4,586)	9,248
Net Cash Provided by Operating Activities	27,994	4,898	3,774	999	37,665	32,228
<b>CASH FLOWS USED FOR NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Transfers to General Fund	-	-	-	-	-	(10,000)
<b>CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Grant Proceeds	-	-	-	-	-	-
KDHE Loan Proceeds	-	-	-	-	-	-
Acquisition and Construction of Capital Assets	-	-	-	-	-	(11,592)
Principal Payments on KDHE Loan	-	-	(7,653)	-	(7,653)	(7,448)
Interest and Service Fees	-	-	-	-	-	(51)
Net Cash from (Used for) Capital and Related Financing Activities	-	-	(7,653)	-	(7,653)	(19,091)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>27,994</b>	<b>4,898</b>	<b>(3,879)</b>	<b>999</b>	<b>30,012</b>	<b>3,137</b>
<b>CASH BEGINNING OF YEAR</b>	<b>77,293</b>	<b>177,534</b>	<b>54,323</b>	<b>13,705</b>	<b>322,855</b>	<b>319,718</b>
<b>CASH END OF YEAR</b>	<b>\$ 105,287</b>	<b>\$ 182,432</b>	<b>\$ 50,444</b>	<b>\$ 14,704</b>	<b>\$ 352,867</b>	<b>\$ 322,855</b>

The accompanying notes are integral part of these financial statements.

**CITY OF LITTLE RIVER, KANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**1. SUMMARY OF ACCOUNTING POLICIES**

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented after applying memorandum adjustments, where applicable, to record accrued revenue and expenses, property and equipment and related depreciation resulting in financial statements presented on an accrual basis of accounting.

**A. Fund Description**

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Gas, Water, Sewer and Solid Waste Departments are enterprise funds, which are used to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges--or where periodic determination of revenues earned, expenses incurred, and /or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**B. Basis of Accounting**

The Gas, Water, Sewer and Solid Waste Funds are reported on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America for enterprise funds.

**C. Budgets**

Applicable Kansas statutes require that budgets legally adopted for all funds (including debt service and enterprise funds) unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable are recorded as expenditures.

**D. Utility Accounts Receivable**

The City records gas and water revenues billed to its customer when meters are read on a monthly basis. Charges for sewage treatment and refuse services are billed monthly. It is not practicable to estimate unbilled service receivables at December 31, 2009 and further, the amounts thereof are not material in relationship to the financial statements taken as a whole. Allowance for doubtful accounts is \$12,000 for the year ended December 31, 2009. Previous history has indicated minimal accounts uncollectible.

**E. Inventories and Prepaid Expenses**

Inventories in the Enterprise Funds of Little River are not material in nature and have not been reflected in these statements.



**CITY OF LITTLE RIVER, KANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**F. Fixed Assets**

Depreciation of utility plant in service of Enterprise Funds (valued partially upon original cost and partially upon estimates of original cost) is provided on the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	10-50 years
Machinery, vehicles and equipment	5-10 years
Gas, water and sewer mains	40 years

**G. Subsequent Events**

Subsequent events have been evaluated through August 9, 2010, which is the date the audited financial statements were issued.

**2. CASH AND INVESTMENTS**

**(a) Deposits**

At December 31, 2009, the carrying amount of the City's Enterprise Funds deposits, including certificates of deposit, was \$351,867. Of this balance \$250,000 was covered by FDIC insurance and the remaining \$101,867 was collateralized by pledged securities held under safekeeping receipts issued by a third-party bank in the bank's name with the City listed as pledgee.

**(b) Investments**

Kansas statutes authorize the City to invest in U.S. Treasury Bills and Notes, repurchase agreements, and the Kansas Municipal Investment Pool. All investments must be insured, registered, or held by the City or its agent in the City's name. The Kansas Municipal Investment Pool is not subject to the risk category classifications. The City had no investments at December 31, 2009.

**3. LONG-TERM DEBT**

Sewer Fund

Note Payable at December 31, 2009 is comprised of the following note:

Note payable to KDHE due in semi-annual installments of \$6,130 including interest at 2.75% through September 1, 2026	<u>\$161,732</u>
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The note is collateralized by the revenue of the sewer system.

The annual aggregate maturities for the years subsequent to December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 7,866	4,394
2011	8,083	4,176
2012	8,307	3,952
2013	8,537	3,722
2014	8,774	3,486
2015-2019	47,649	12,502
2020-2024	54,621	6,733
2025-2026	17,895	494
	<u>\$ 161,732</u>	<u>\$ 39,459</u>

**CITY OF LITTLE RIVER, KANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**4. PENSION COSTS AND EMPLOYEE BENEFITS**

**(a) Defined Benefit Pension Plan**

*Plan Description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (400 SW 8th Avenue, Suite 200; Topeka, KS 66603-3925) or by calling 1-800-228-0366.

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2009 is 5.54%. The City employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$7,956, \$7,929 and \$6,974 respectively, equal to the statutory required contributions for each year.

**(b) Other Employee Benefits**

Vacation – Full-time employees are entitled to paid vacation leave time according to the following schedule: provided, no paid vacation leave time may be taken during the first twelve months of employment with no carry over from year to year.

<u>Years of Service</u>	<u>Per Year</u>
After 1 Year Continuous Employment	5 Days
After 2 Years Continuous Employment	10 Days
After 3 Years Continuous Employment	15 Days

All vacation was used as of December 31, 2009

Sick leave – Full-time employees, shall be entitled to sick leave with pay for absences resulting from illness, injuries, accidents or other physical incapacity, occurring either on or off the job.

Amount of sick leave – Full-time employees shall earn eight hours of sick leave for each full month of service.

Accumulation of sick leave – No employee may accrue more than 480 hours of sick leave. An employee shall not be paid for any unused sick leave upon termination of his or her employment with the City.

**5. LEASES**

The City leases property for \$600 per year for the water well sites used by the City. The leases are renewed annually.

The City entered an operating lease for a Komatsu WB140-2N tractor loader backhoe which contains cancellation provisions and is subject to annual appropriation. For calendar year 2009 rentals were \$11,263. This lease supports the Gas, Water, and Sewer activities.

**CITY OF LITTLE RIVER, KANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**6. DEFICIT RETAINED EARNINGS**

The City of Little River has used significant amounts of contributed capital to capitalize the Gas, Water and Sewer Funds. Due to the significant amount of depreciation in these funds and the governing body's decision to fund cash needs and not all depreciation, a deficit retained earnings has occurred in the funds.

If depreciation was charged against the contributed capital used to purchase the depreciable assets, a significant portion of the deficit would probably be eliminated.

**7. INTERFUND TRANSFERS**

<u>From</u>	<u>To</u>	<u>Amount</u>
Water Fund	General Fund	\$ 10,000